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SUBJECT: DANISH SHIPOWNERS PRIORITIZE CONCERNS

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¶1. (SBU) Summary. Senior officials of the Danish Shipowners Association (DSA) list anti-piracy cooperation, reliance on free-market allocation of resources to prevent overcapacity, and care in setting proposed climate-change restrictions on the emission of maritime greenhouse gases (GHG) as their most pressing concerns. Danish shipowners, who own or manage roughly 25 percent of the world's maritime capacity, believe the international naval task force currently patrolling the high-risk sea lanes off the Horn of Africa will be needed for an extended period. Regarding maritime capacity, the influential association is advocating that subsidies to the global shipbuilding industry be used sparingly to prevent overcapacity and instability in the highly cyclical global shipping sector. Lastly, as the UN Climate Change Conference (COP-15) in Copenhagen approaches, shipowners insist they are moving rapidly to more energy-efficient propulsion systems, but fear that a one-size-fits-all cap on transportation emissions might overshadow the environmental benefits of maritime (vice overland) shipment of most of the world's trade flows. End summary.

¶2. (U) In a September 29 dinner with visiting state legislators from California, DSA Chairman Lars Vang Christensen argued against job-saving subsidies for maritime industries, which some governments were considering in the current economic recession. He particularly warned against national subsidies to shipbuilding concerns, which he believes would inevitably lead to overcapacity and destabilizing volatility in global freight rates. Christensen told his guests that maritime shipping was a highly cyclical industry by nature, but that shippers were fairly adept at factoring in the ebb-and-flow of global trade by monitoring well-recognized leading indicators. It would be much more difficult, however, to adjust maritime capacity efficiently if nations introduce measures that undercut market mechanisms that signal the maritime sector when to add or reduce capacity. Due to significant capital investment and lengthy lead times involved in adjustments of the global fleet, DSA strongly prefers less government interference in the markets.

Piracy: plateauing but still a major concern

¶3. (SBU) DSA's executive vice president Jan Fritz Hansen and Anja Nielsen, an executive of the Danish shipowning giant

A.P. Moller-Maersk, both discussed at length the continuing challenge of maritime piracy, particularly off the east coast of Africa. They agreed that the multi-national task force patrolling the waters off Somalia and the adjoining sea lanes has greatly improved the security situation -- and they hope it continues as long as possible (the Danish Navy led a multi-national force for part of last year and plans to deploy a high-endurance frigate early next year). In an unsolicited remark, Christensen said that almost all shipowners strongly prefer to leave the security of commercial ships to naval forces, rather than develop a self-protection capability. Due to a lack of expertise in this specialized field, as well as concerns over financial liability should a self-defense action go awry, DSA's position is to avoid any consideration of private security assets for its vessels. In an unexpected aside, Maersk's Nielsen added that while military protection on the high seas was most welcome, her company (the world's largest maritime fleet) would actually prefer to negotiate with pirates for the return of captured crew, rather than risk violent confrontation. Both Hansen and Nielsen expressed their conviction that piracy is not a short-term phenomenon, and may actually intensify due to the increasing sophistication of seaborne criminals and the large amounts of money involved.

Climate change: We'll contribute; look at big picture

14. (SBU) The final point conveyed by Christensen was his assertion that the shipping industry wants to actively participate in the global effort to reduce greenhouse emissions. He stated that DSA and individual shipowners are currently funding research and development of ever more fuel-efficient vessels and that significant reduction in the maritime transport component of global GHG will be achieved -- both corporate responsibility as well as bottom-line considerations were driving this effort forward. Christensen did caution, however, that as world leaders negotiate a global response to climate change, it is essential that they take a holistic approach; specifically, that if GHG emission restrictions are established, the overall impact of various industries should be taken into account. Negotiators need to bear in mind that measures hindering commercial maritime fleets' ability to keep up with (eventual) global trade growth could shift the movement of goods to other less environmentally-efficient modes of transport.

15. (SBU) When later asked if nuclear energy would be considered as an alternative means of maritime propulsion, DSA's Jan Hansen replied that even if it was found economically and technologically beneficial, the general public opposition in Denmark would never permit its consideration.

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